



King Sabata Dalindyebo Municipality  
Financial statements  
for the year ended 30 June 2015  
Auditor General of South Africa

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## General Information

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### Nature of business and principal activities

King Sabata Dalindyebo Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no. 117 of 1998).

### Mayoral committee

Executive Mayor

Cllr N Ngqongwa

Speaker

Cllr D Zozo

Chief Whip

Cllr Z Gusana

Councillors

Cllr N Gcingca  
Cllr L Madyibi  
Cllr M Mtirara  
Cllr K Mlandu  
Cllr M Mtirara  
Cllr S Ngcobo  
Cllr L Ntlonze  
Cllr N Ndlela  
Cllr G.N Jijana  
Cllr N Nyangeni  
Cllr N Xhobani  
Cllr G.N Nelani  
Cllr K Kwetana  
Cllr E Mapekula  
Cllr N.M Luqhide  
Cllr S Budu  
Cllr N Menzelwa  
Cllr B Momoza  
Cllr V.N Roji  
Cllr T Nomvete  
Cllr M Ngabayena  
Cllr M.H Mtirara  
Cllr M Jafta  
Cllr B Mazini  
Cllr O.V Gwadiso  
Cllr M Mavukwana  
Cllr H.N Maroloma  
Cllr X.T Matiti  
Cllr J Msakeni  
Cllr E.M Fileyo  
Cllr N. Mpemnyama  
Cllr M Ntoka  
Cllr T Ngadolo  
Cllr F.M Mwa  
Cllr S.S Njemla  
Cllr M.A Zimela  
Cllr M.T Mtirara  
Cllr L.L Mkonto  
Cllr M.I Xentsa  
Cllr N.S Kwaza

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## General Information

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	Cllr S Mlamli
	Cllr N Sikonkotela
	Cllr S Nyengane
	Cllr F Dondashe
	Cllr Z.V Maqabuksa
	Cllr Z Magazi
	Cllr P.P Nontshiza
	Cllr B.D Bara
	Cllr R Knock
	Cllr J Dlamini
	Cllr M Plam
	Cllr W.V Sanda
	Cllr S Qina
	Cllr N.F Mzimane
	Cllr L.M Luwaca
	Cllr V Dangala
	Cllr B Ndlobongela
	Cllr M Gogo
	Cllr N Mtwana
	Cllr K.W Tsipa
	Cllr Z.N Mncunza
	Cllr N Qwase
	Cllr L.N Tshiseka
	Cllr P.N Pali
	Cllr M. Bunzana
	Cllr Z.A Luyenge
	Cllr L Nduku (resigned)
<b>Grading of local authority</b>	Grade 4
<b>Chief Finance Officer (CFO)</b>	Nomthandazo Ntshanga
<b>Accounting Officer</b>	Mr Z. H. Madikane
<b>Registered office</b>	Munitata Building Sutherland Street Mthatha
<b>Postal address</b>	Private Bag X5083 Mthatha 5099
<b>Bankers</b>	ABSA FNB
<b>Auditors</b>	Auditor General of South Africa

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the auditor general.

The auditor general is responsible for independently reviewing and reporting on the municipality's financial statements.

The financial statements set out on pages 5 to 83, which have been prepared on the going concern basis, were approved on 31 August 2015 by the accounting officer.



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Mr Z. H. Madikane  
Accounting Officer

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	7	8 814 153	10 952 063
Receivables from exchange transactions	8	39 425 878	41 974 548
Receivables from non-exchange transactions	9	49 267 995	21 452 376
Cash and cash equivalents	10	40 262 440	128 546 454
		<b>137 770 466</b>	<b>202 925 441</b>
<b>Non-Current Assets</b>			
Investment property	3	205 205 355	195 167 900
Property, plant and equipment	4	2 211 504 023	2 400 406 482
Intangible assets	5	1 694 387	465 864
Heritage assets	6	4 697 000	4 697 000
		<b>2 423 100 765</b>	<b>2 600 737 246</b>
<b>Total Assets</b>		<b>2 560 871 231</b>	<b>2 803 662 687</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other financial liabilities	11	9 255 764	47 766 766
Finance lease obligation	16	10 058 923	7 141 880
Payables from exchange transactions	12	226 112 915	190 036 232
VAT payable	13	7 091 491	39 412 121
Consumer deposits	14	12 756 530	11 342 565
Unspent conditional grants and receipts	15	22 461 136	111 687 503
		<b>287 736 759</b>	<b>407 387 067</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	11	41 757 159	144 294 019
Finance lease obligation	16	5 555 374	13 690 166
Provisions	17	38 936 390	45 456 505
		<b>86 248 923</b>	<b>203 440 690</b>
<b>Total Liabilities</b>		<b>373 985 682</b>	<b>610 827 757</b>
<b>Net Assets</b>		<b>2 186 885 549</b>	<b>2 192 834 930</b>
<b>Reserves</b>			
Revaluation reserve	18	384 413 531	385 072 030
Self insurance reserve	19	2 692 908	2 370 759
Accumulated surplus		1 799 779 110	1 805 392 141
<b>Total Net Assets</b>		<b>2 186 885 549</b>	<b>2 192 834 930</b>

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	266 761 628	254 098 774
Rental of facilities and equipment	21	15 055 253	14 635 149
Licences and permits	22	13 618 392	12 300 926
Other income	23	19 123 860	19 150 715
Interest received	24	29 498 968	25 971 186
<b>Total revenue from exchange transactions</b>		<b>344 058 101</b>	<b>326 156 750</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	166 333 200	151 866 136
<b>Transfer revenue</b>			
Government grants & subsidies	26	387 260 202	387 056 229
Financial Assistance	27	178 325 110	-
Fines		967 496	1 351 313
Fair value adjustments on other financial liabilities		-	34 734 704
<b>Total revenue from non-exchange transactions</b>		<b>732 886 008</b>	<b>575 008 382</b>
<b>Total revenue</b>	28	<b>1 076 944 109</b>	<b>901 165 132</b>
<b>Expenditure</b>			
Employee related costs	29	(310 826 620)	(262 627 619)
Remuneration of councillors	30	(20 853 933)	(21 462 639)
Depreciation and amortisation	31	(287 473 581)	(270 147 524)
Impairment loss	32	(7 146 805)	(125 441 107)
Finance costs	33	(16 289 902)	(26 227 902)
Lease rentals on operating lease		(26 196 021)	(26 657 634)
Debt Impairment	34	(25 637 571)	(42 109 869)
Repairs and maintenance		(13 368 857)	(23 785 948)
Bulk purchases	35	(185 320 519)	(170 233 448)
Contracted services	36	(7 889 213)	(15 342 111)
Grants and Subsidies paid	37	(29 614 009)	(34 953 040)
General Expenses	38	(85 823 496)	(95 755 547)
<b>Total expenditure</b>		<b>(1 016 440 527)</b>	<b>(1 114 744 388)</b>
<b>Operating surplus (deficit)</b>		<b>60 503 582</b>	<b>(213 579 257)</b>
Fair value adjustments	39	10 690 455	65 303 550
Loss on non-current assets held for sale or disposal groups		(52 728 750)	(1 973 704)
		<b>(42 038 295)</b>	<b>63 329 846</b>
<b>Surplus (deficit) for the year</b>		<b>18 465 287</b>	<b>(150 249 411)</b>

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Insurance reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	248 478 830	2 071 872	250 550 702	1 767 349 959	2 017 900 661
Adjustments					
Correction of errors	-	-	-	188 291 593	188 291 593
<b>Balance at 01 July 2013 as restated*</b>	<b>248 478 830</b>	<b>2 071 872</b>	<b>250 550 702</b>	<b>1 955 641 552</b>	<b>2 206 192 254</b>
Changes in net assets					
Revaluation of assets	136 593 200	-	136 593 200	-	136 593 200
Insurance reserve movement	-	298 887	298 887	-	298 887
Net income (losses) recognised directly in net assets	136 593 200	298 887	136 892 087	-	136 892 087
Surplus for the year	-	-	-	(150 249 411)	(150 249 411)
Total recognised income and expenses for the year	136 593 200	298 887	136 892 087	(150 249 411)	(13 357 324)
Total changes	136 593 200	298 887	136 892 087	(150 249 411)	(13 357 324)
<b>Balance at 01 July 2014</b>	<b>385 072 030</b>	<b>2 370 759</b>	<b>387 442 789</b>	<b>1 805 392 141</b>	<b>2 192 834 930</b>
Changes in net assets					
Correction of prior period	-	-	-	(24 078 318)	(24 078 318)
Net income (losses) recognised directly in net assets	-	-	-	(24 078 318)	(24 078 318)
Surplus for the year	-	-	-	18 465 287	18 465 287
Total recognised income and expenses for the year	-	-	-	(5 613 031)	(5 613 031)
Movement In Self insurance	-	322 149	322 149	-	322 149
Movement in revaluation Surplus	(658 499)	-	(658 499)	-	(658 499)
Total changes	(658 499)	322 149	(336 350)	(5 613 031)	(5 949 381)
<b>Balance at 30 June 2015</b>	<b>384 413 531</b>	<b>2 692 908</b>	<b>387 106 439</b>	<b>1 799 779 110</b>	<b>2 186 885 549</b>
Note(s)	18	19			



# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		132 969 850	144 106 709
Receipts from Customers		323 076 792	313 567 286
Grants		298 591 963	360 497 336
Interest income		4 407 534	5 237 524
		<u>759 046 139</u>	<u>823 408 855</u>
<b>Payments</b>			
Employee costs		(331 680 553)	(284 090 257)
Suppliers		(312 135 433)	(549 816 784)
Finance costs		(16 289 902)	(26 227 902)
Taxes on surpluses		(32 320 630)	(38 797 523)
Vat Payment to SARS		14 798 843	3 689 414
		<u>(677 627 675)</u>	<u>(895 243 052)</u>
<b>Net cash flows from operating activities</b>	42	<u>81 418 464</u>	<u>(71 834 197)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(158 416 893)	(223 524 390)
Purchase of other intangible assets	5	(1 422 438)	(364 546)
Acquisition of Self Insurance		(322 149)	(298 887)
Other cash item - payovers		(212 234)	4 765
		<u>(160 373 714)</u>	<u>(224 183 058)</u>
<b>Net cash flows from investing activities</b>			
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		2 566 721	123 933 634
Fair Value Adjustments		-	34 734 704
Interest on External Borrowings discounted		-	7 098 367
Finance lease payments		(5 217 749)	20 683 256
Other cash item - VAT payment		(6 677 737)	-
		<u>(9 328 765)</u>	<u>186 449 961</u>
<b>Net cash flows from financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(88 284 015)</u>	<u>(109 567 294)</u>
Cash and cash equivalents at the beginning of the year		128 546 454	238 113 748
<b>Cash and cash equivalents at the end of the year</b>	10	<u>40 262 439</u>	<u>128 546 454</u>

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	288 112 087	7 840 519	295 952 606	266 761 628	(29 190 978)	Ref to note 56
Rental of facilities and equipment	17 343 043	2 079 324	19 422 367	15 055 253	(4 367 114)	Ref to note 56
Licences and permits	17 714 318	3 860 223	21 574 541	13 618 392	(7 956 149)	Ref to note 56
Other income	38 373 406	-	38 373 406	19 123 860	(19 249 546)	Ref to note 56
Interest received - investment	32 850 339	1 715 736	34 566 075	29 498 968	(5 067 107)	Ref to note 56
<b>Total revenue from exchange transactions</b>	<b>394 393 193</b>	<b>15 495 802</b>	<b>409 888 995</b>	<b>344 058 101</b>	<b>(65 830 894)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	189 717 364	(36 292 288)	153 425 076	166 333 200	12 908 124	Ref to note 56
<b>Transfer revenue</b>						
Government grants & subsidies	348 213 394	66 647 961	414 861 355	387 260 202	(27 601 153)	Ref to note 56
Financial Assistance	-	-	-	178 325 110	178 325 110	Ref to note 56
Fines, Penalties and Forfeits	3 593 971	(1 140 000)	2 453 971	967 496	(1 486 475)	Ref to note 56
<b>Total revenue from non-exchange transactions</b>	<b>541 524 729</b>	<b>29 215 673</b>	<b>570 740 402</b>	<b>732 886 008</b>	<b>162 145 606</b>	
<b>Total revenue</b>	<b>935 917 922</b>	<b>44 711 475</b>	<b>980 629 397</b>	<b>1 076 944 109</b>	<b>96 314 712</b>	
<b>Expenditure</b>						
Personnel	(315 477 637)	(11 519 043)	(326 996 680)	(310 826 620)	16 170 060	Ref to note 56
Remuneration of councillors	(21 535 797)	-	(21 535 797)	(20 853 933)	681 864	Ref to note 56
Depreciation and amortisation	(102 800 000)	(59 984 336)	(162 784 336)	(287 473 581)	(124 689 245)	Ref to note 56
Impairment loss/ Reversal of impairments	-	-	-	(7 146 805)	(7 146 805)	Ref to note 56
Finance costs	(5 400 000)	-	(5 400 000)	(16 289 902)	(10 889 902)	Ref to note 56
Lease rentals on operating lease	(41 299 985)	5 167 265	(36 132 720)	(26 196 021)	9 936 699	Ref to note 56
Debt Impairment	(30 000 000)	-	(30 000 000)	(25 637 571)	4 362 429	Ref to note 56
Repairs and maintenance	(26 689 680)	2 375 609	(24 314 071)	(13 368 857)	10 945 214	Ref to note 56
Bulk purchases	(196 507 430)	-	(196 507 430)	(185 320 519)	11 186 911	Ref to note 56
Contracted Services	(13 884 961)	5 838 148	(8 046 813)	(7 889 213)	157 600	Ref to note 56
Grants and Subsidies Paid	(30 223 553)	(6 498 544)	(36 722 097)	(29 614 009)	7 108 088	Ref to note 56
General Expenses	(124 651 279)	7 866 460	(116 784 819)	(85 823 496)	30 961 323	Ref to note 56
<b>Total expenditure</b>	<b>(908 470 322)</b>	<b>(56 754 441)</b>	<b>(965 224 763)</b>	<b>(1 016 440 527)</b>	<b>(51 215 764)</b>	
<b>Operating surplus</b>	<b>27 447 600</b>	<b>(12 042 966)</b>	<b>15 404 634</b>	<b>60 503 582</b>	<b>45 098 948</b>	
Fair value adjustments	-	-	-	10 690 455	10 690 455	Ref to note 56
Loss on non-current assets held for sale or disposal groups	-	-	-	(52 728 750)	(52 728 750)	Ref to note 56
	-	-	-	(42 038 295)	(42 038 295)	
<b>Surplus before taxation</b>	<b>27 447 600</b>	<b>(12 042 966)</b>	<b>15 404 634</b>	<b>18 465 287</b>	<b>3 060 653</b>	

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	27 447 600	(12 042 966)	15 404 634	18 465 287	3 060 653	
Reconciliation						

# **King Sabata Dalindyebo Municipality**

Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1. Presentation of Financial Statements**

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies applied in the preparation of these financial statements and which are consistent with those applied in the preparation of the prior year financial statements are disclosed below.

#### **1.1 Presentation currency**

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

All figures have been rounded off to the nearest rand.

#### **1.2 Going concern assumption**

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.3 Prior year comparatives**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The nature and reasons for the reclassification and restatement are disclosed in Note 46 "Prior period errors", to the Financial Statements.

#### **1.4 Significant judgements and sources of estimation uncertainty**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### **Trade receivables**

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

##### **Asset Management and Intangible Assets**

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

**Assets:** Management is required to exercise judgement when assessing the fair value/deemed cost of an asset, the extent of any potential impairment, the useful lives and depreciation methods applied to assets.

**Intangible Assets:** Management is required to assess the useful life of intangible assets based on the period the asset is expected to generate net cash inflows or service potential.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

#### Effective interest rate

The municipality makes use of government bond rate to discount future cash flows in the event of it being material .

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

#### Fair value determination of properties (excluding heritage assets)

In determining the fair value of investment property (and / or property, plant and equipment ) the entity applies a valuation methodology to determine the fair value of the properties based on any one of, or a combination of the following factors:

- The market related selling price of the property; or
- The market related rental that can be earned from the property; or
- The market related selling price of similar properties in the area; or
- The rentals currently or previously earned by the property.

#### Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives. The valuation of heritage assets is dependent on the type of the asset and the availability of reliable information. Management makes estimates and assumptions about factors such as the restoration cost, replacement cost and cash flow generating ability in estimating fair value.

#### Impairment of non-financial assets

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

### 1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.5 Investment property (continued)

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised. The cost of day to day servicing of investment property is recognised in the statement of financial performance when incurred.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

To the extent that the fair value model is applied investment property is not depreciated.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

The assumptions for determining the fair value of the investment property is set out in Note 3 to the financial statements.

#### Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property, provided that the property would otherwise meet the definition of investment property and the lessee uses the fair value model.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations established by using the criteria that it can utilise to exercise judgment consistently in accordance with the definition of investment property and with the related guidance

### 1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

#### Initial recognition and measurement

Property, plant and equipment except for land, buildings and community assets is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

#### Subsequent measurement -Cost model

Property, plant and equipment other than land, buildings and community assets is carried at cost less accumulated depreciation and any impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

#### Subsequent measurement - Fair Value model

Land, buildings and community assets are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

# King Sabata Dalindyebo Municipality

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## Accounting Policies

### 1.6 Property, plant and equipment (continued)

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

### Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		infinite
Buildings		5 - 130 years
Plant and machinery		5 - 10 years
Furniture and fixtures		3 - 5 years
Office equipment		5 - 7 years
IT equipment		5 - 7 years
Infrastructure		
- Roads and pavings		30 years
- Access roads		3-10 years
- Pedestrian malls		30 years
- Electricity		10 - 50 years
- Sewerage		15 - 20 years
Community		
- Buildings		30 - 130 years
- Recreational equipment		20 - 30 years
- Security		5 years
- Halls		130 years
- Libraries		130 years
- Parks and gardens		20 - 30 years
- Sport fields		20 - 30 years
Other property, plant and equipment		
- Other vehicles		5 years
- Other items of plant and equipment		7 - 10 years
- Landfill sites		4-30 years
- Fire engines		10 - 20 years
Bins and containers		5 years
Other leased assets		
- Motor vehicles		5-20 years
Laboratory equipment		5 - 7 years
Specialised vehicles		10 years
Heritage assets		Infinite
Cemetery		25 - 30 years
Stadium		25 - 30 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.



# King Sabata Dalindyebo Municipality

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## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

#### Impairment

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

#### Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

#### Initial recognition

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

# King Sabata Dalindyebo Municipality

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### 1.7 Intangible assets (continued)

#### Subsequent measurement

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

#### Amortisation and impairment

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

The amortisation period, the amortisation method and residual value for intangible assets with finite useful lives are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	2 - 5 years

#### Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

# King Sabata Dalindyebo Municipality

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## Accounting Policies

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### 1.8 Heritage assets (continued)

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or

# King Sabata Dalindyebo Municipality

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## Accounting Policies

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### 1.9 Financial instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liability - Long term	Financial liability measured at amortised cost
Other financial liability - Short term	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at fair value

### Initial recognition

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.9 Financial instruments (continued)

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

#### Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### Financial assets measured at cost:

# King Sabata Dalindyebo Municipality

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## Accounting Policies

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### 1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Policies relating to specific financial instruments

# King Sabata Dalindyebo Municipality

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## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Investments

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### Trade and other receivables

Trade and other receivables are classified as loans and receivables and are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

All trade and other receivables are assessed at least annually for possible impairment. Impairment adjustments are made through the use of an allowance account. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

#### Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

#### Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

#### Bank overdrafts and borrowings

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any differences between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy on borrowing costs.

### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

# King Sabata Dalindyebo Municipality

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## Accounting Policies

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### 1.10 Leases (continued)

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value. The basis of determining the cost is the weighted average method.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.12 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.



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## Accounting Policies

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### 1.12 Construction contracts and receivables (continued)

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

### 1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### Identification of a potential impairment

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Recognition and measurement of cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

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### 1.13 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.14 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and value added taxes.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP 21 - Impairment of non-cash generating assets.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14 Impairment of non-cash-generating assets (continued)

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.16 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- a municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Leave pay

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The liability is based on the total amount of leave days due to the employees at reporting date and on the total cost to the municipality of the employees.

#### Annual Bonuses

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

The municipality pays out an annual bonus to its employees annually from the date of employment. A liability relating to the anticipated bonuses payable is raised and is based on the total cost to the municipality.

#### Long service awards

The entity provides long service awards to eligible employees, payable on completion of a certain number of years of employment. A provision is raised to account for the expected long service awards due to be paid in future years.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

The municipality does not provide any post employment benefits to any employees.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.16 Employee benefits (continued)

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.17 Provisions and contingencies (continued)

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

#### Decommissioning, restoration and similar liability

The municipality has raised a provision for rehabilitation of landfill sites and this relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted over the a certain period as determined by the valuer. For key assumptions refer to Note 17 "Provisions.

### 1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable excluding indirect taxes, rebates and discounts.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.



# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

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### 1.18 Revenue from exchange transactions (continued)

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and revenue is recognised providing that the benefits can be measured reliably. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on average consumption. An accrual on the basis of a determined consumption factor is made for consumption not measured as at the end of the financial year.

# King Sabata Dalindyebo Municipality

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## Accounting Policies

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### 1.18 Revenue from exchange transactions (continued)

#### Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards and other services provided on a pre-payment basis are only recognised as income once the related units are consumed.

#### Refuse removal

Revenue relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

#### Rental income

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

#### Tariff Charges

Revenue arising from the application of the approved tariff is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

#### Income from Agency fees

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.19 Revenue from non-exchange transactions (continued)

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria or conditions attached, where conditions have not been met, a liability is raised. Government grants that are received as compensation for expenses or losses incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the statement of financial performance in the year in which they have been received.

Interest earned on investments is treated in accordance with the grant conditions. If it is payable to the funders, it is recorded as part of creditors, and if it is the municipality's interest, it is recognised as interest earned in the statement of financial performance in the period in which it is received.

Government grants are recognised as revenue when : it is probable that the economic benefits or service potential associated with the transactions will flow to the entity. The amount of revenue can be measured reliably and to the extent that the conditions have been discharged and there has been a compliance with any restrictions associated with the grant.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are granted to certain categories of rate payers, and these are deducted from revenue.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.19 Revenue from non-exchange transactions (continued)

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Revenue from public contribution is recognised when all conditions associated with the contribution have been met or where contribution is to finance property, plant and equipment or when such items of property, plant and equipment are brought into use. Where contributions have been received but the conditions have not been met, a liability is recognised.

#### Services in-kind

Services in-kind are recognised as revenue and as assets.

### 1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

It is considered inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.22 Surplus or deficit

Gains and losses arising from fair value adjustments on investments and loans, and from the disposal of assets, are presented separately from other revenue in the Statement of Financial Performance.

Income, expenditure, gains and losses are recognised in surplus or deficit except for the exceptional cases where recognition directly in net assets is specifically allowed or required by a Standard of GRAP.

### 1.23 Contingent assets and contingent liabilities

The municipality does not recognise contingent liabilities or contingent assets but discloses them

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow of economic benefits is probable.

### 1.24 Commitments

Items are classified as a commitment when the Municipality has committed itself to future transactions that will normally result in an outflow of resources embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

At the end of each financial period the Municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitments note to the financial statements.

### 1.25 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification are disclosed in the comparative figure note to the financial statements.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.25 Comparative figures (continued)

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

### 1.26 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Also included is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.27 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.28 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.29 Internal reserves

#### Self insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the Self-Insurance Reserve is determined based on 5% of the insurance risk carried by the municipality and past claims history in terms of a Council Resolution and is reinstated or increased by a transfer from the accumulated surplus/(deficit). The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

Premiums are calculated on past claims experience.

The balance of the self-insurance fund is fully cash backed and is invested in call accounts.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.30 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

### 1.31 Change in accounting policy, estimate and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 - Accounting policies, changes in accounting estimate and errors, requirements except to the extent that it is impracticable to determine the period-specific effects or the accumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the financial statements where applicable.

Changes in accounting estimate are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative affect of the error. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of the prior period errors are disclosed in the notes to the financial statements where applicable.

### 1.32 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget covers the fiscal period from 01/07/2014 to 30/06/2015.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the financial statements

Comparative information is not required.

### 1.33 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

# **King Sabata Dalindyebo Municipality**

Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1.33 Related parties (continued)**

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed in the financial statements.

### **1.34 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations Issued and Effective

The following accounting standards have been issued and are effective. These have been adopted by the municipality during the current financial period and the annual financial statements have been prepared in accordance with these.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing costs
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial reporting in hyperinflationary economies
GRAP 11	Construction contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset
GRAP 20	Related parties
GRAP 21	Impairment of non-cash generating assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budgeted Information
GRAP 25	Employee Benefits
GRAP 31	Intangible Assets (replaces GRAP 102)
GRAP 100	Non-current assets held for sale and discontinued operations
GRAP 102	Intangible assets (replaced by GRAP 31)
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

The following Interpretations have been issued and are effective. These have been adopted by the municipality during the current financial period and the annual financial statements have been prepared in accordance with these.



# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 2	Changes in existing Decommissioning, Restoration and similar liabilities
IGRAP 3	Determining whether an arrangement contains a Lease
IGRAP 4	Rights to interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the restatement approach under the standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The limit on a defined benefit asset, Minimum funding requirements and their interaction
IGRAP 8	Agreements for the construction of Assets from Exchange Transactions
IGRAP 9	Distributions of non cash assets to Owners
IGRAP 10	Assets received from Customers
IGRAP 13	Operating Leases - Incentives
IGRAP 14	Evaluating the substance of transactions involving the Legal form of a lease
IGRAP 15	Revenue - Barter transactions Involving advertising Services
IGRAP 16	Intangible Assets - Website Costs

Where there is no equivalent standard of GRAP or IPSAS an International Financial Reporting Standard (IFRS) that is effective forms part of the GRAP reporting framework. This applies to the accounting standards below

IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 24 (AC 126)	Related Party Disclosures
IAS 32 (AC 125)	Financial Instruments : Disclosure and presentation
IAS 39 (AC 133)	Financial Instruments : Recognition and measurement
IFRS 07 (AC 144)	Financial Instruments : Disclosures

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

#### 2.2 Standards and interpretations issued, but not yet effective

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

GRAP 18	Segment Reporting - Issued March 2005
GRAP 20	Related Party Disclosures - Issued June 2011
GRAP 32	Service Concession Arrangements - Issued August 2013
GRAP 105	Transfer of functions between entities under common control - Issued November 2010
GRAP 106	Transfer of functions between entities not under common control - Issued November 2010
GRAP 107	Mergers - Issued November 2010
GRAP 108	Statutory receivables - Issued September 2013

#### GRAP 18 Segment Reporting:

The standard requires the identification and aggregation of the operating segments of the municipality into reportable segments. For each of the reportable segments identified details of the financial performance and financial position will be disclosed. The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

#### GRAP 20 - Related Party Disclosures

This standard requires the disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity. The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

#### GRAP 32 - Service Concession Arrangements : Grantor

The objective of the standard is to prescribe the accounting for service concession arrangements by the grantor, a public entity. The municipality must assess whether it is a grantor ie has granted the right to use the service concession asset to the operator. This standard then requires the municipality to recognise an asset provided by the operator and an upgrade to an existing asset of the grantor as a service concession asset if (a) the grantor controls or regulates what services the operator must provide with the asset, to whom it must be provided and at what price, and (b) the grantor controls through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement. Where a service concession asset is recognised, the grantor shall also recognise a liability at the same amount as the service concession asset. The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant. This standard does not yet have an effective date.

#### GRAP 105 Transfer of functions between entities under common control

This standard requires the municipality to recognise or derecognise assets acquired or transferred and liabilities assumed or relinquished at carrying amounts for transactions that involve transfer of functions between entities under common control. The precise impact of this on the financial statements of the municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

#### GRAP 106 Transfer of functions between entities not under common control

This standard requires the municipality to recognise identifiable assets acquired and liabilities assumed at fair value and the difference recognised in surplus or deficit for transactions that involve transfer of functions between entities that are not under common control. The precise impact of this on the financial statements of the municipality is still being assessed but is not expected to be significant. This standard does not yet have an effective date.

#### GRAP 108 - Statutory Receivables

This standard requires the entity to recognise any receivables that arise from legislation, supporting legislations, or similar

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

### 2. New standards and interpretations (continued)

means and requires settlement by the entity in cash or another financial asset as statutory receivables. The municipality shall recognise statutory receivables using the standard of GRAP on revenue from exchange transactions if the transaction is an exchange transaction or the standard of GRAP on revenue from non exchange transactions if it is a non exchange transaction. Where the transaction is not within the scope of the above, the receivable must be recognised when the definition of an asset is met. The precise impact of this on the financial statements of the municipality is still being assessed but it is not expected to be significant. This standard does not yet have an effective date

Management has considered all the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

### 3. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	205 205 355	-	205 205 355	195 167 900	-	195 167 900

#### Reconciliation of investment property - 2015

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	195 167 900	(653 000)	10 690 455	205 205 355

#### Reconciliation of investment property - 2014

	Opening balance	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	124 511 350	(108 500)	5 461 500	65 303 550	195 167 900

#### Pledged as security

The municipality does not have any investment property that is pledged as security:

#### Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### Details of valuation

The effective date of the revaluations was . Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

For investment property, totaling R - (2014: R -), where there was a lack of comparable market data, the valuation was based on discounted cash flows. The following assumptions were used:

Discount rate

Other

Other

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

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### 3. Investment property (continued)

These assumptions are based on current market conditions.

Amounts recognised in surplus and deficit for the year.

Investment property located in (a foreign country: specify) is governed by that country's exchange controls and therefore the rental income and proceeds from any sale of that investment property are not available to the municipality:

The effective date of the revaluations was 30 June 2015. Revaluations were performed by an independent valuer, Mr Kwasi Agyabon-Boateng, of Messrs Khanyisa Property Management Services, .B.Sc Honours (Land Economy) and registered as a professional valuer in terms of the Valuers Act (Registration No 3550/9) . Khanyisa Property Management Services are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

#### Amounts recognised in surplus and deficit for the year

Rental revenue from investment property	1 455 919	1 495 177
Fair value adjustments recognised in surplus or deficit	10 690 455	65 303 550

### 4. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	236 169 000	-	236 169 000	238 150 500	-	238 150 500
Buildings	302 797 307	(46 921 576)	255 875 731	302 797 306	(32 154 795)	270 642 511
Infrastructure	1 836 030 331	(1 025 967 716)	810 062 615	1 920 575 682	(910 382 465)	1 010 193 217
Community	478 587 150	(62 874 707)	415 712 443	474 498 062	(37 909 239)	436 588 823
Other property, plant and equipment	19 538 182	(12 980 128)	6 558 054	17 191 291	(10 025 947)	7 165 344
Work In Progress	455 675 927	-	455 675 927	402 539 386	-	402 539 386
Specialised vehicles	71 941 929	(40 491 676)	31 450 253	65 255 347	(30 128 646)	35 126 701
<b>Total</b>	<b>3 400 739 826</b>	<b>(1 189 235 803)</b>	<b>2 211 504 023</b>	<b>3 421 007 574</b>	<b>(1 020 601 092)</b>	<b>2 400 406 482</b>

**King Sabata Dalindyebo Municipality**  
Financial Statements for the year ended 30 June 2015

**Notes to the Financial Statements**

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**4. Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2015**

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	238 150 500	-	(1 981 500)	-	-	-	-	236 169 000
Buildings	270 642 511	-	-	-	-	(14 766 780)	-	255 875 731
Infrastructure	1 010 193 217	4 269 012	-	36 596 480	-	(185 900 558)	(55 095 536)	810 062 615
Community	436 588 823	175 265	-	3 913 823	-	(24 965 468)	-	415 712 443
Other property, plant and equipment	7 165 344	2 454 637	(20 433)	-	(57 974)	(2 983 520)	-	6 558 054
Work In Progress	402 539 386	144 402 319	(50 755 475)	(40 510 303)	-	-	-	455 675 927
Specialised vehicles	35 126 701	7 115 660	-	-	(39)	(10 792 069)	-	31 450 253
	<b>2 400 406 482</b>	<b>158 416 893</b>	<b>(52 757 408)</b>	<b>-</b>	<b>(58 013)</b>	<b>(239 408 395)</b>	<b>(55 095 536)</b>	<b>2 211 504 023</b>

**Reconciliation of property, plant and equipment - 2014**

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	182 983 100	-	(526 500)	-	55 693 900	-	-	-	238 150 500
Buildings	248 665 915	46 872	-	-	34 499 227	-	(12 569 503)	-	270 642 511
Infrastructure	1 146 400 377	15 222 760	(5 102 892)	34 983 310	-	169 481 360	(225 380 856)	(125 410 842)	1 010 193 217
Community	410 614 775	683 262	-	-	46 066 072	-	(20 775 286)	-	436 588 823
Other property, plant and equipment	8 980 606	3 958 369	-	(94 608)	-	(2 491 395)	(3 187 628)	-	7 165 344
Work In Progress	263 087 111	185 907 244	-	(34 983 310)	-	(11 471 659)	-	-	402 539 386
Specialised vehicles	2 940 066	17 705 883	-	94 608	-	22 564 528	(8 178 384)	-	35 126 701
	<b>2 263 671 950</b>	<b>223 524 390</b>	<b>(5 629 392)</b>	<b>-</b>	<b>136 259 199</b>	<b>178 082 834</b>	<b>(270 091 657)</b>	<b>(125 410 842)</b>	<b>2 400 406 482</b>

**Pledged as security**

No property, plant and equipment has been pledged as security.

**Assets subject to finance lease**

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 4. Property, plant and equipment (continued)

Included under specialised motor vehicles are 64 vehicles which are under finance lease from Aristopix (Pty) Ltd with a total carrying amount of R8 605 864 (2014: R15 577 853). Refer to Note 16 "Finance Lease Obligation" for additional information.

Included under other property, plant and equipment are 160 computers which are under a finance lease from Information Communication Technology (Pty) Ltd with a total carrying amount of R 1 618 766 (2014: R0)

### Revaluations

The effective date of the revaluations was 30 June 2015. Revaluations were performed by independent valuer, Mr Kwasi Agyaben-Boateng, of Messrs Khanyisa Property Management Services. Messrs Khanyisa Property Management Services are not connected to the municipality.

Land, buildings and community assets are re-valued independently after 3 - 5 years.

These assumptions used were based on current market conditions.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2 416 037	(721 650)	1 694 387	1 231 245	(765 381)	465 864

### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	465 864	1 422 438	(77 660)	(116 255)	1 694 387

### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software, other	185 393	364 546	(1 517)	(82 558)	465 864

### Pledged as security

The municipality does not have any intangible assets that are pledged as security.

### 6. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Recreational parks	4 697 000	-	4 697 000	4 697 000	-	4 697 000

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 6. Heritage assets (continued)

#### Reconciliation of heritage assets 2015

	Opening balance	Total
Recreational parks	4 697 000	4 697 000

#### Reconciliation of heritage assets 2014

	Opening balance	Revaluation increase/decrease	Total
Recreational parks	4 363 000	334 000	4 697 000

### 7. Inventories

Consumables Stores	5 359 457	4 309 258
Electrical Equipment	3 454 696	6 642 805
	<b>8 814 153</b>	<b>10 952 063</b>

### 8. Receivables from exchange transactions

Creditors with debit balances	369 675	433 785
Consumer debtors Other	9 390	9 390
Consumables Sundry Debtors	2 075 674	2 368 182
Consumer debtors - Electricity	34 816 024	33 042 091
Consumer debtors - Refuse (Filtered)	79 000 078	71 900 077
Consumer debtors - Rentals	87 258 897	78 244 333
Provision for Impairment	(164 103 860)	(144 023 310)
	<b>39 425 878</b>	<b>41 974 548</b>

#### Trade and other receivables pledged as security

The municipality does not have any receivables from exchange transactions that have been pledged as security

#### Fair value of trade and other receivables

Trade and other receivables	39 425 878	41 974 548
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The fair value of Trade and other receivables from exchange transactions approximates their carrying amount.

#### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 37 205 799 (2014: R 17 818 839) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Current	12 371 083	-
1 month past due	13 096 629	8 543 798
2 months past due	6 839 058	5 587 536
3 months past due	3 385 095	3 687 506
over 3 months	1 513 935	-

#### Trade and other receivables impaired

As of 30 June 2015, trade and other receivables of R 164 103 860 (2014: R 144 023 310) were impaired and provided for.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 8. Receivables from exchange transactions (continued)

The amount of the provision was R (164 103 860) as of 30 June 2015 (2014: R (144 023 310)).

The ageing of these loans is as follows:

1 to 3 months	13 844 758	15 872 693
4 to 6 months	5 898 213	6 560 107
Over 6 months	144 360 889	121 590 510

Included in the above are receivables from exchange transactions as follows;

#### Electricity -Ageing

Current	12 826 962	11 738 893
31 - 60 days	6 454 708	6 036 289
61 - 90 days	3 238 026	3 594 278
91 - 120 days	2 758 494	1 790 516
> 120 days	7 620 523	7 737 550
	<b>32 898 713</b>	<b>30 897 526</b>

#### Refuse - Ageing

Current	3 758 220	1 438 793
31 - 60 days	11 227 596	1 233 317
61 - 90 days	5 590 364	1 116 622
91 - 120 days	1 224 355	1 075 051
> 120 days	57 200 913	67 036 295
	<b>79 001 448</b>	<b>71 900 078</b>

#### Rentals - Ageing

Current	1 087 794	1 280 385
31 - 60 days	1 027 166	1 274 389
61 - 90 days	941 693	844 852
91 - 120 days	853 002	821 945
> 120 days	83 345 896	74 022 761
	<b>87 255 551</b>	<b>78 244 332</b>

#### Sundry debtors- Ageing

Current	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	2 075 674	2 367 762
> 120 days	-	-
	<b>2 075 674</b>	<b>2 367 762</b>

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	144 023 310	100 411 012
Provision for impairment	20 080 550	43 612 298
	<b>164 103 860</b>	<b>144 023 310</b>

#### Summary of debtors by customer classification

	Consumers	Industrial/ Commercial	Government
<b>as at 30 June 2015</b>			
Current	14 898 603	17 641 686	4 202 298
31 -60 days	31 032 082	10 038 359	1 676 772
61 - 90 days	13 648 137	3 681 821	674 786



# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>8. Receivables from exchange transactions (continued)</b>		
91 - 120 days	2 074 113	3 283 546
>120 days	211 832 652	36 867 463
		273 237
Subtotal	273 485 587	71 512 875
Less provision for impairment	(237 561 389)	(44 292 200)
	<b>35 924 198</b>	<b>27 220 675</b>
		16 785 467

### 9. Receivables from non-exchange transactions

Other receivables from non-exchange revenue	315 083	315 083
Consumer debtors old balances	69 464	71 794
Consumer debtors - Rates	166 633 177	133 219 099
Impairment	(117 749 729)	(112 153 600)
	<b>49 267 995</b>	<b>21 452 376</b>

### Receivables from non-exchange transactions pledged as security

The municipality does not have any receivables from non exchange transactions that have been pledged as security.

### Fair value of receivables from non-exchange transactions

Other receivables from non-exchange transactions	49 267 995	21 452 376
--	------------	------------

The fair value of trade and other receivables from non exchange transactions, approximates their carrying amount.

### Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 49 267 995 (2014: R 21 452 376) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

current	19 069 612	14 956 174
1 month past due	23 361 484	2 427 859
2 months past due	5 764 262	1 980 195
3 months past due	556 532	1 701 271
more than 3 months past due	516 105	-

### Receivables from non-exchange transactions impaired

As of 30 June 2015, other receivables from non-exchange transactions of R 117 749 729 (2014: R 112 153 600) were impaired and provided for.

The amount of the provision was R (117 749 729) as of 30 June 2015 (2014: R (112 153 600)).

The ageing of the amounts impaired and provided for as follows:

1 to 3 months	9 920 235	4 694 962
4 to 6 months	6 072 330	5 419 997
Over 6 months	101 757 163	102 038 641

Included in the above are receivables from non-exchange transactions are as follows;

### Rates - Ageing

Current	25 544 601	3 194 922
31 - 60 days	24 037 743	2 395 924
61 - 90 days	8 234 661	1 980 241
91 - 120 days	795 046	1 701 318
> 120 days	108 336 208	123 948 093

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand

### 9. Receivables from non-exchange transactions (continued)

	2015	2014
	166 948 259	133 220 498
<b>Other (old balances) - Ageing</b>		
Current	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	69 464	71 794
> 120 days	-	-
	69 464	71 794

### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	112 153 600	113 701 140
Provision for impairment	5 596 129	(1 547 540)
	117 749 729	112 153 600

### 10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 050	1 050
Bank balances	7 486 171	5 009 482
Own investments- Short term	5 445 224	5 000 218
Other cash and cash equivalents	27 329 995	118 535 704
	40 262 440	128 546 454

### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates. excess cash is invested with reputable financial institutions with good credit ratings.

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
FNB Call Account 62090323636	2 738 409	549 033	3 376 788	2 738 409	550 988	3 376 788
ABSA Call Account-4061496604	2 661 792	456 567	4 591 297	2 661 336	456 112	4 591 297
ABSA Cheque Account 4048218780	1 997 039	3 702 280	13 320 139	1 992 149	3 993 752	13 290 760
ABSA Cash Focus 4053806112	-	34 030	21 728	1 211	20 781	21 785
ABSA Call acc 91584142285	-	-	146 045	-	-	146 045
ABSA Call acc 91584142285	-	-	25 334 345	-	-	25 334 344
ABSA Call Account FMG 9263297136	-	-	63 221	-	-	-
Self Insurance Reserve	-	2 370 759	2 071 872	2 692 908	2 370 759	2 071 872
ABSA Bank Investment	-	-	14 813 531	-	-	14 813 531
ABSA Call Account Nduli 9260787407	-	-	112 401	-	-	112 401
ABSA Transkei United Daries 9279137106	-	1 845 835	35 635 721	-	1 852 283	35 635 721
ABSA CallAccount Ngangelizwe 9105768376	-	3 189 006	4 082 980	-	3 200 260	4 082 980
ABSA Call Account MTAB 9061932550	514 265	514 265	2 527 131	516 167	517 079	2 527 131

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>10. Cash and cash equivalents (continued)</b>		
Unclaimed Group Life Insurance 2 283 953	2 185 286	2 104 889
ABSA 9057846202		2 292 307
ABSA Call Zimbabwe Heights 9279140385	5 311 980	5 986 135
ABSA Target Save -Various Accounts	162 904	224 878
ABSA Call Account MIG 9148935255	9 551	28 333 465
ABSA Call Disaster Management 9111059492	2 300 889	2 526 445
ABSA Call Account DOE 9259916285	67 371 176	7 171 396
ABSA Call acc FMG 9118940521	-	200 282
ABSA Call Fire Station 9260112315	2 333 449	2 148 776
ABSA Call Acc DOT 9282955018	7 638 419	7 655 783
ABSA Call Acc Grant Admin 9260118400	25 768	430 000
ABSA Call Acc MPCC 9272373062	1 857 644	1 789 265
ABSA Call Acc Ngangelizwe ISUP 9264472169	110 783	119 546
ABSA Call Acc Hillcrest ISUP 9281805743	2 194 585	9 223 072
ABSA Call Acc ISUP Joe Slove 9264255581	14 270 370	6 443 654
ABSA Call Acc ISUP Maydene 9264472915	6 084	3 443 387
ABSA Call Acc 9264472541	2 774 491	6 008 112
ABSA Call Acc IDP 9260111987	-	12 106
Investec Bank Invest 1100456924	212 956	206 644
ABSA Call Acc Khuphukani 9260111652	-	44 800
ABSA Call Acc 9152551667	-	465 184
ABSA Call Acc KSD Election 9260118662	251 467	251 446
ABSA Call Acc KSD Intervention 4061496125	53 893	30 135
ABSA Call MSG 9097169945	-	53 893
ABSA Call 9090409506	-	54 326
ABSA Call Infrastructure Skills Development 9285398815	-	21 642
ABSA Call Mqanduli Milling 9118441412	3 728	3 738
ABSA Call MSIG 9153705564	-	3 871
ABSA Call Performance Man 9262471098	-	3 709
ABSA Call MFAG 9263297136	-	3 737
ABSA Call 9279137350	2 179 232	3 629 352
Maydene Farm Ext		
ABSA call Rural Planning 9260110101	449 277	468 034
ABSA Call UphuhlisoLwethu 9260112632	167 114	179 120
ABSA Call Organogram Dev 9260110397	294 477	294 477
ABSA Call Library 9279137211	-	741 635
	1 034 561	1 697 121

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015				2014	
<b>10. Cash and cash equivalents (continued)</b>						
ABSA Call Mqanduli Middle Income 9095799392	-	333 651	335 966	334 886	334 829	335 966
ABSA Call Light The Pilot 9260109699	236 947	236 946	238 586	237 819	237 781	238 586
FNB Cheque 62471836513	248 080	1 027	-	92 609	(12 137)	-
FNB Call 62480366345 DOE Electrification	3 573 255	-	-	3 573 255	-	-
FNB Call 62480370031 FMG	67 349	-	-	67 349	-	-
FNB Call 62480368838 MIG Account UCCMIP	1 000	-	-	1 000	-	-
FNB Call 62480371592 MSIG	205 060	-	-	205 060	-	-
FNB Call 62480372863 Library	1 070 313	-	-	1 070 313	-	-
FNB Call 62486520151 Infrastructure Skills Dev	360 774	-	-	360 774	-	-
FNB Call 62500280516 LED Support	106 674	-	-	106 674	-	-
FNB Call 62500281936 Chamber Of Mines	1 241 907	-	-	1 241 907	-	-
FNB CALL 62504407801 Ngangelizwe Urban Ren	2 788 938	-	-	2 788 938	-	-
FNB Call 62504409477 Disaster Management	2 277 899	-	-	2 277 899	-	-
FNB Call 62504410383 Fire Station	2 340 938	-	-	2 340 938	-	-
FNB Call 62504411315 ISUP Phola Park	2 732 731	-	-	2 732 731	-	-
FNB Call 62504412066 Maydene ISUP	6 237	-	-	6 237	-	-
FNB Call 62504413741 Transkei United Daries	27 066	-	-	27 066	-	-
FNB Call 62504414608 Maydene Farm Extension	125 281	-	-	125 281	-	-
FNB Call 62504417420 Zimbane Heights	47 654	-	-	47 654	-	-
FNB Call 62504418022 ISUP Hillcrest	33 357	-	-	33 357	-	-
FNB Call 62504444639 DOT Taxi Rank	7 263 487	-	-	7 263 487	-	-
FNB Call 62505830811 ISUP Joe Slovo	412 298	-	-	412 298	-	-
FNB Call 62521207911 Electricity Demand Side	146 420	-	-	146 420	-	-
FNB Call 62523941070 New Brighton	10 473	-	-	10 473	-	-
FNB Call 62523942408 KEI Rail	10 474	-	-	10 474	-	-
FNB Call 74486524158	1	-	-	-	-	-
<b>Total</b>	<b>37 099 534</b>	<b>128 043 771</b>	<b>238 205 242</b>	<b>40 260 935</b>	<b>128 545 404</b>	<b>238 112 696</b>

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>11. Other financial liabilities</b>		
<b>At amortised cost</b>		
LGTA Loan	-	132 363 663
The loan is repayable in 3 annual installments effective 1st July 2014 and is interest free		
Annuity Loan DBSA	27 703 811	30 785 949
DBSA loan 61001245 is redeemable in March 2018 and borrowing rate is 8%		
DBSA loan 61003135 is redeemable in December 2020 and borrowing rate is based on the JIBAR rate		
DBSA loan 61001048 is redeemable in 2026 and a borrowing rate is 6.75 %		
Annuity Loan PIC	23 309 112	28 911 173
PIC loan is redeemable in December 2018 and the borrowing rate is 8% . KSD cedes to PIC in securitatem debiti rights in the Municipal Building of KSD situated at ERF 9441, 47 to 49 Sutherland Street Mthatha measuring 8.309 square metres.		
	<b>51 012 923</b>	<b>192 060 785</b>
<b>Total other financial liabilities</b>	<b>51 012 923</b>	<b>192 060 785</b>
<b>Non-current liabilities</b>		
Designated at fair value	-	-
LGTA Loan	-	91 789 005
Annuity Loan-DBSA	24 468 409	28 506 487
Annuity Loan- PIC	17 288 750	23 998 527
	<b>41 757 159</b>	<b>144 294 019</b>
<b>Current liabilities</b>		
Designated at fair value	-	-
LGTA LOan	-	40 574 658
Annuity Loan DBSA	3 235 402	2 279 462
Annuity Loan-PIC	6 020 362	4 912 646
	<b>9 255 764</b>	<b>47 766 766</b>
<b>12. Payables from exchange transactions</b>		
Trade payables	105 498 221	87 543 930
Income Received In Advance	1 695 100	2 213 186
Salary payovers	13 067 990	11 171 273
Staff Prepaid Houses	1 075 999	1 075 999
Study Loans	24 335	24 335
Retentions	7 404 598	8 986 136
National Revenue Fund Funds to be surrendered	1 285 257	1 285 257
Unknown Deposits	6 682 830	4 579 867
Litigations Liability	(122 874)	-
Insurance Claims	192 701	471 139
Other payables-	35 758 465	22 669 108
Deposits received	1 156 587	920 931
Accrued expense	5 006 498	14 662 727
Accrued Leave Pay and Bonus	45 372 968	32 418 104
Unclaimed group Life	2 014 240	2 014 240
	<b>226 112 915</b>	<b>190 036 232</b>

The fair value of Trade and other payables approximates the carrying amount.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>13. VAT payable</b>		
VAT payables	7 091 491	39 412 121
<b>14. Consumer deposits</b>		
Electricity	12 756 530	11 342 565
<b>15. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
National: Department of Energy- Electrification Projects	86 430	57 977 120
Grant Admin Development	15 979	430 000
Provincial: Department of Housing	333 652	333 652
Provincial : Uphuhliso Lwethu	167 114	178 503
Provincial: Rural Planning and Survey	449 250	449 250
Provincial: KSD Elections- Road Maintenance	251 720	251 720
Library Grant	1 060 496	1 033 995
LED Support	106 411	229 275
Infrastructure Skills Development	357 422	980 548
Human Settlements Projects	3 348 266	30 580 796
Electricity Demand Side Management	106 429	117 351
Provincial: Intervention Grant	-	31 081
Provincial : Organogram Development	294 477	294 477
Provincial: MTAB Grant	514 265	514 265
Provincial: Municipal Systems Improvement Grant	105 421	192 554
Provincial: Multipurpose Community Centre	10	1 864 144
Provincial: Light the Pilot Media	236 947	236 947
Provincial: Urban Renewal Grant	2 779 830	3 179 064
Provincial : Department of Transport- Taxi Rank	7 236 277	7 236 277
Provincial: Disaster Management	2 270 515	2 300 889
Provincial: Fire Station Refurbishment	2 333 450	2 333 450
Provincial : Municipal Support Grant	53 893	53 893
Chamber of Mines Grant	352 882	888 252
	<b>22 461 136</b>	<b>111 687 503</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	111 687 503	137 746 872
Additions during the year	90 319 000	169 821 528
Income recognition during the year	(178 987 240)	(196 366 345)
Interest payover to Human Settlements	(1 163 665)	(1 709 692)
Interest Received	605 538	2 195 140
	<b>22 461 136</b>	<b>111 687 503</b>
<b>16. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	15 981 652	13 473 010
- in second to fifth year inclusive	6 022 863	18 983 191
	22 004 515	32 456 201
less: future finance charges	(6 390 218)	(11 624 155)
<b>Present value of minimum lease payments</b>	<b>15 614 297</b>	<b>20 832 046</b>
<b>Present value of minimum lease payments due</b>		

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>16. Finance lease obligation (continued)</b>		
- within one year	10 704 766	7 141 880
- in second to fifth year inclusive	4 909 532	13 690 165
	<b>15 614 298</b>	<b>20 832 045</b>
Non-current liabilities	5 555 374	13 690 166
Current liabilities	10 058 923	7 141 880
	<b>15 614 297</b>	<b>20 832 046</b>

The Aristopix (Pty) Ltd motor vehicle finance lease contract was entered into during 2010. The finance lease period is for 5 years and each vehicle's period of lease begins on the delivery date and expires after 5 years. The finance lease balance is R13 690 166 (2014: R20 832 046) and attracts an average interest rate of 51% (2014: 35%) per annum.

The Information Communication Technology (Pty) Ltd computer finance computer leases contract was entered into during the 2014/15 financial year. The finance lease is for the period of 3 years and each computer's lease period begins on the delivery date and expires after 3 years. The finance lease balance had a balance of R1 924 132 (2014: R0) and attracts an average interest rate of 18% (2014: 0%) per annum.

### 17. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Provision for long service awards	18 069 000	(533 000)	17 536 000
Environmental rehabilitation	27 387 505	(5 987 115)	21 400 390
	<b>45 456 505</b>	<b>(6 520 115)</b>	<b>38 936 390</b>

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Provision for long service awards	17 620 000	449 000	18 069 000
Environmental Rehabilitation	27 259 824	127 681	27 387 505
	<b>44 879 824</b>	<b>576 681</b>	<b>45 456 505</b>

#### Environmental rehabilitation provision

The provision relates to the rehabilitation of landfill sites. At the current valuation date, 30 June 2015 the duration of liabilities was 15 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2015 is 9.08% per annum. The assumed discount rate used at the previous valuation, 30 June 2014, was 9.44% per annum determined in the same way. At 30 June 2015 the yield on inflation linked bonds of a similar term was about 1.84% per annum. This implies an underlying expectation of inflation of 6.70% per annum with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). An adjustment was made to correct the financial statements so that there is consistency between the financial statements as well as the information provided by the external valuator Mashixla Consulting Engineers

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 17. Provisions (continued)

#### Provision for long service awards

Service cost increased the liability by R1 570 000. Interest cost over the valuation period resulted in an increase in liability by R1 473 000. Some of the employees attained milestones during the valuation period and this resulted in bonus payments of R1 530 000 which reduced the accrued liability by the same margin.

The net discount rate increased from 0.64% to 1.21% over the valuation period. The salary assumption of 7.82% as at 30 June 2014 was lower than the actual increases experienced in the current valuation. This increased the liability.

Provision for long service award	2015	2014
Opening net liability	18 069 000	17 620 000
Service cost	1 570 000	1 392 000
Interest cost	1 473 000	1 209 000
Actuarial gain/loss	(2 046 000)	(256 000)
Bonus Paid	(1 530 000)	(1 896 000)
	<b>17 536 000</b>	<b>18 069 000</b>

### 18. Revaluation reserve

Opening balance	385 072 030	248 478 830
Change during the year	(658 499)	136 593 200
	<b>384 413 531</b>	<b>385 072 030</b>

The revaluation reserve arises out of revaluation of land and buildings.

### 19. Self insurance reserve

The self-insurance reserve is established to cater for declined or disputed insurance claims.

Opening balance	2 370 759	2 071 872
Movement during the year	322 149	298 887
	<b>2 692 908</b>	<b>2 370 759</b>

### 20. Service charges

Sale of electricity	239 978 170	231 605 831
Refuse removal	26 783 458	22 492 943
	<b>266 761 628</b>	<b>254 098 774</b>

### 21. Rental of facilities and equipment

<b>Premises</b>		
Premises	13 064 088	12 974 019
<b>Facilities and equipment</b>		
Rental of facilities	302 073	260 209
Rental of equipment	1 689 092	1 400 921
	<b>1 991 165</b>	<b>1 661 130</b>
	<b>15 055 253</b>	<b>14 635 149</b>

### 22. Licence and permits

Licence fees - Drivers Licence	5 720 244	4 563 654
Vehicle registration and roadworthy fees	1 591 840	1 671 688



# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>22. Licence and permits (continued)</b>		
Motor vehicle registration fees	6 162 837	5 918 908
Licence fees - Business	35 077	25 695
Permits - Vending and Hawking	108 394	120 981
	<b>13 618 392</b>	<b>12 300 926</b>
<b>23. Other Income</b>		
Building plan approvals	819 691	1 846 522
Call out revenue	1 064	2 159
Disconnection fees	410 499	324 638
Insurance claims	79 257	100 459
Meter testing	603 043	530 472
State funeral	-	9 713 899
Tender fees	540 180	421 080
Recoveries	805 090	1 096 821
Pound fees	42 163	29 796
Fees earned	8 748 490	4 718 854
Other income	254 977	-
Sundry income	199 897	366 015
Reversal of provision for Landfill Site	6 619 509	-
	<b>19 123 860</b>	<b>19 150 715</b>
<b>24. Investment revenue</b>		
<b>Interest revenue</b>		
Interest from investments and bank	4 407 534	5 237 524
Interest charged on trade and other receivables	25 091 434	20 733 662
	<b>29 498 968</b>	<b>25 971 186</b>
<b>25. Property rates</b>		
<b>Rates received</b>		
Residential	44 802 158	35 242 766
Commercial	47 855 145	43 331 067
State	73 675 897	72 944 019
Municipal - parking	-	348 284
	<b>166 333 200</b>	<b>151 866 136</b>

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>25. Property rates (continued)</b>		
<b>Valuations</b>		
Residential	8 053 745 000	3 518 095 000
Commercial	2 448 851 500	2 166 264 500
State	2 251 422 000	1 684 832 500
Municipal	2 568 707 000	583 708 000
Small holdings and farms	13 042 000	30 471 500
Open spaces	745 116 500	90 119 000
Places of public worship	112 675 000	71 426 500
Vacant Land	767 420 500	283 439 500
Schools	405 744 000	476 061 500
	<b>17 366 723 500</b>	<b>8 904 418 000</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

## 26. Government grants and subsidies

<b>Operating grants</b>		
Equitable share	206 246 000	184 568 581
Health Subsidy Grant	-	4 460 778
VAT Capital	681 555	134 523
Electricity Demand Side Management Grant	2 641 395	4 260 678
Disaster Management Grant	30 374	7 001
Infrastructure Skills Development	3 527 558	2 488 561
MTAB Grant	-	1 750 395
Elections Road Repairs Grant	-	288 930
MIG	2 288 362	2 580 344
Grant: Other	-	21 493
MM Intervention Grant	31 081	967 491
Organogram Development	-	438 782
Performance management Grant	-	70 175
SETA Grant	497 963	646 450
MSIG Grant	987 377	727 866
FMG	1 538 687	1 610 280
Municipal Financial Assistance Grant	-	34 967
Various grants	995 979	11 425
Library Grant	1 623 934	2 340 653
Urban Renewal	399 233	281 663
Expanded Public Program Grant	1 529 000	1 000 000
	<b>223 018 498</b>	<b>208 691 036</b>

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand

2015

2014

### 26. Government grants and subsidies (continued)

#### Capital grants

VAT Component: Capital Grants

16 023 363 10 670 320

Human Settlement

28 538 537 39 408 504

MIG

50 784 308 44 223 735

DOE Grant

68 895 496 84 062 634

**164 241 704 178 365 193**

**387 260 202 387 056 229**

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received

90 319 000 169 821 527

#### Unconditional grants received

Equitable Share

206 246 000 184 568 581

Health Subsidy Grant

- 4 460 778

SETA

497 963 646 450

Expanded Public Works Programme

1 529 000 1 000 000

**298 591 963 360 497 336**

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy and the total expenditure for the period was R 10 558 242 (2014: R 15 288 600), which is funded from the grant.

#### Human Settlements ISUP

Balance unspent at beginning of year

30 580 796 69 564 057

Current-year receipts

- -

Conditions met - transferred to revenue

(28 538 537) (39 408 504)

Interest Received

545 860 2 120 281

Transfer from MPCC

1 923 832 -

Transfers out

(1 163 685) (1 695 038)

**3 348 266 30 580 796**

Conditions still to be met - remain liabilities (see note 15).

#### Electricity Demand Site Management

Balance unspent at beginning of year

117 351 4 426 412

Current-year receipts

3 000 000 -

Conditions met - transferred to revenue

(3 010 922) (4 309 061)

**106 429 117 351**

Conditions still to be met - remain liabilities (see note 15).

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>26. Government grants and subsidies (continued)</b>		
<b>Grant Admin Development</b>		
Balance unspent at beginning of year	430 000	430 000
Current-year receipts	-	-
Conditions met - transferred to revenue	(414 021)	-
	<b>15 979</b>	<b>430 000</b>
Conditions still to be met - remain liabilities (see note 15).		
<b>DOHS: Community Multipurpose Centre Ngangelizwe</b>		
Balance unspent at beginning of year	1 864 144	1 789 276
Interest	59 680	74 868
Transfer to Maydene	(1 923 814)	-
	<b>10</b>	<b>1 864 144</b>
Conditions still to be met - remain liabilities (see note 15).		
<b>Uphuhliso Lwethu</b>		
Balance unspent at beginning of year	178 503	178 503
Other	(11 389)	-
	<b>167 114</b>	<b>178 503</b>
Conditions still to be met - remain liabilities (see note 15).		
<b>Provincial: MTAB Grant</b>		
Balance unspent at beginning of year	514 265	2 509 715
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(1 995 450)
	<b>514 265</b>	<b>514 265</b>
Conditions still to be met - remain liabilities (see note 15).		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	-	28 640 809
Current-year receipts	80 071 000	63 872 000
Conditions met - transferred to revenue	(80 071 000)	(92 512 809)
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 15).		
<b>National: Financial Management Grant</b>		
Balance unspent at beginning of year	-	61 806
Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 611 806)
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 15).		
<b>Provincial : Intervention Grant</b>		

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>26. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	31 081	1 008 672
Current-year receipts	-	-
Conditions met - transferred to revenue	(31 081)	(977 591)
	<u>-</u>	<u>31 081</u>
Conditions still to be met - remain liabilities (see note 15).		
<b>Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	192 554	35 915
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(1 021 133)	(733 361)
	<u>105 421</u>	<u>192 554</u>
Conditions still to be met - remain liabilities (see note 15).		
<b>Provincial: Intergrated Development Plan</b>		
Balance unspent at beginning of year	-	12 009
Conditions met - transferred to revenue	-	(12 009)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 15).		
<b>Provincial: Rural planning &amp; survey</b>		
Balance unspent at beginning of year	449 250	449 250
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>449 250</u>	<u>449 250</u>
Conditions still to be met - remain liabilities (see note 15).		
<b>Provincial : Light the Pilot Media</b>		
Balance unspent at beginning of year	236 947	236 947
Current-year receipts	-	-
	<u>236 947</u>	<u>236 947</u>
Conditions still to be met - remain liabilities (see note 15).		
<b>Provincial: KSD Elections- Road Maintanance</b>		
Balance unspent at beginning of year	251 720	540 650
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(288 930)
	<u>251 720</u>	<u>251 720</u>
Conditions still to be met - remain liabilities (see note 15).		
<b>Performance Management Grant</b>		
Balance unspent at beginning of year	-	80 000
Conditions met - transferred to revenue	-	(80 000)

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>26. Government grants and subsidies (continued)</b>		
	-	-
Conditions still to be met - remain liabilities (see note 15).		
<b>National: Municipal Finance Assistance Grant</b>		
Balance unspent at beginning of year	-	34 967
Conditions met - transferred to revenue	-	(41 800)
Other	-	6 833
	-	-
Conditions still to be met - remain liabilities (see note 15).		
<b>Department of Housing and Local Government</b>		
Balance unspent at beginning of year	333 652	355 145
Current-year receipts	-	(21 493)
Other	333 652	333 652
Conditions still to be met - remain liabilities (see note 15).		
<b>Library Grant</b>		
Balance unspent at beginning of year	1 033 995	1 685 672
Current-year receipts	1 714 000	1 714 000
Conditions met - transferred to revenue	(1 687 499)	(2 365 677)
	1 060 496	1 033 995
Conditions still to be met - remain liabilities (see note 15).		
<b>Provincial: Urban Renewal Grant</b>		
Balance unspent at beginning of year	3 179 064	3 461 947
Conditions met - transferred to revenue	(399 234)	(282 883)
	2 779 830	3 179 064
Conditions still to be met - remain liabilities (see note 15).		
<b>Infrastructure Skills Development</b>		
Balance unspent at beginning of year	980 548	1 500 000
Current-year receipts	3 000 000	2 000 000
Conditions met - transferred to revenue	(3 623 126)	(2 519 452)
	357 422	980 548
Conditions still to be met - remain liabilities (see note 15).		
<b>Organogram Development Grant</b>		
Balance unspent at beginning of year	294 477	736 539
Conditions met - transferred to revenue	-	(442 062)
	294 477	294 477

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>26. Government grants and subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 15).		
<b>Department of Transport</b>		
Balance unspent at beginning of year	7 236 277	7 236 277
Conditions still to be met - remain liabilities (see note 15).		
<b>Provincial : Disaster Management Grant</b>		
Balance unspent at beginning of year	2 300 889	2 307 890
Conditions met - transferred to revenue	(30 374)	(7 001)
	<b>2 270 515</b>	<b>2 300 889</b>
Conditions still to be met - remain liabilities (see note 15).		
<b>Provincial Fire Station Refurbishment Grant</b>		
Balance unspent at beginning of year	2 333 450	2 333 450
Conditions still to be met - remain liabilities (see note 15).		
<b>Provincial:Municipal Support Grant</b>		
Balance unspent at beginning of year	53 893	53 893
Conditions still to be met - remain liabilities (see note 15).		
<b>Led Support</b>		
Balance unspent at beginning of year	229 275	-
Current-year receipts	-	229 275
Conditions met - transferred to revenue	(122 864)	-
	<b>106 411</b>	<b>229 275</b>
Conditions still to be met - remain liabilities (see note 15).		
<b>LLR Chamber of Mines</b>		
Balance unspent at beginning of year	888 252	-
Current-year receipts	-	888 252
Conditions met - transferred to revenue	(535 370)	-
	<b>352 882</b>	<b>888 252</b>
Conditions still to be met - remain liabilities (see note 15).		
<b>National: Department of Energy -Electrification Projects</b>		
Balance unspent at beginning of year	57 977 120	8 077 070
Current-year receipts	-	98 678 000
Conditions met and transferred to revenue	(57 890 690)	(48 777 950)
	<b>86 430</b>	<b>57 977 120</b>
Conditions still to be met - remain liabilities (see note 15).		

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand

2015

2014

### 26. Government grants and subsidies (continued)

#### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 27. Financial Assistance

Financial Assistance	178 325 110	-
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Financial assistance received relates to payments made to Eskom on behalf of the municipality by COGTA. The municipality was having cashflow challenges and COGTA assisted by paying the amount as it was overdue.

### 28. Revenue

Service charges	266 761 628	254 098 774
Rental of facilities and equipment	15 055 253	14 635 149
Licences and permits	13 618 392	12 300 926
Financial Assistance	178 325 110	-
Other income	19 123 860	19 150 715
Interest received	29 498 968	25 971 186
Property rates	166 333 200	151 866 136
Government grants & subsidies	387 260 202	387 056 229
Fines, Penalties and Forfeits	967 496	1 351 313
Fair value adjustment on other financial liabilities	-	34 734 704
	<b>1 076 944 109</b>	<b>901 165 132</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	266 761 628	254 098 774
Rental of facilities and equipment	15 055 253	14 635 149
Licences and permits	13 618 392	12 300 926
Other income	19 123 860	19 150 715
Interest received	29 498 968	25 971 186
	<b>344 058 101</b>	<b>326 156 750</b>

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue	166 333 200	151 866 136
Property rates		
Transfer revenue	387 260 202	387 056 229
Government grants & subsidies	178 325 110	-
Financial Assistance	967 496	1 351 313
Fines, Penalties and Forfeits	-	34 734 704
Other transfer revenue		
	<b>732 886 008</b>	<b>575 008 382</b>



# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>29. Employee related costs</b>		
Basic	174 412 133	148 834 894
Acting allowances	6 670 919	8 034 273
Overtime payments	12 612 162	11 757 225
Bonus- Annual Leave	11 857 626	10 378 538
Medical aid - company contributions	21 363 378	17 149 528
Pension and Provident Fund Contribution	24 194 966	19 663 508
UIF	1 737 046	1 503 241
WCA	3 346 517	1 542 822
SDL	-	2 348 929
Leave pay provision charge	14 864 997	7 883 759
Other short term costs	1 441 182	14 469
Travel, motor car, accommodation, subsistence and other allowances	12 525 654	11 225 835
Long-service awards	4 484 541	5 006 875
Housing benefits and allowances	16 345 269	13 236 349
Termination benefits	4 970 230	4 047 374
	<b>310 826 620</b>	<b>262 627 619</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	71 665	933 602
Car Allowance	-	312 866
Contributions to UIF, Medical and Pension Funds	297	62 419
Other	2 140	86 299
	<b>74 102</b>	<b>1 395 186</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	503 363	811 885
Car Allowance	157 392	144 000
Contributions to UIF, Medical and Pension Funds	59 500	114 532
Other	133 083	83 312
	<b>853 338</b>	<b>1 153 729</b>
<b>Remuneration of Director: Technical Services</b>		
Annual Remuneration	1 154 416	1 093 885
Contributions to UIF, Medical and Pension Funds	1 785	12 833
Other	81 698	68 758
	<b>1 237 899</b>	<b>1 175 476</b>
<b>Remuneration of Director: Community Services</b>		
Annual Remuneration	1 120 977	1 083 680
Contributions to UIF, Medical and Pension Funds	1 785	12 894
Other	40 109	60 055
	<b>1 162 871</b>	<b>1 156 629</b>
<b>Remuneration of Director :Corporate services</b>		
Annual Remuneration	416 849	-
Contributions to UIF, Medical and Pension Funds	892	-
	<b>417 741</b>	<b>-</b>

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>29. Employee related costs (continued)</b>		
<b>Remuneration of Director : Public Safety</b>		
Annual Remuneration	531 013	-
Other	12 729	-
	<b>543 742</b>	<b>-</b>
<b>Remuneration of Director : Human Settlements</b>		
Annual Remuneration	1 159 815	1 098 852
Contributions to UIF, Medical and Pension Funds	1 784	13 326
Other	207 119	79 467
	<b>1 368 718</b>	<b>1 191 645</b>
<b>Remuneration of Director: Local Economic Development</b>		
Annual Remuneration	1 120 977	1 083 680
Contributions to UIF, Medical and Pension Funds	1 785	12 717
Other	24 265	9 600
	<b>1 147 027</b>	<b>1 105 997</b>
<b>30. Remuneration of councillors</b>		
Executive Mayor	849 217	942 854
Chief Whip	591 234	587 309
Speaker	621 880	668 029
Councillors	18 791 602	19 264 446
	<b>20 853 933</b>	<b>21 462 638</b>
<b>In-kind benefits</b>		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor and the Speaker of the Council have the use of separate Council owned vehicles for official duties.		
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	287 473 581	270 147 524
<b>32. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	7 146 805	125 441 107
<b>33. Finance costs</b>		
Borrowings	11 499 477	18 594 948
Other interest paid	-	127 681
Trade and other payables	4 790 425	7 505 273
	<b>16 289 902</b>	<b>26 227 902</b>

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>34. Debt impairment</b>		
Impairment of debtors	25 637 571	42 109 869
<b>35. Bulk purchases</b>		
Electricity	185 320 519	170 233 448
<b>36. Contracted services</b>		
Collection of arrear debts	3 950 040	6 128 034
Tourism	170 175	78 000
Other	1 261 643	-
Agency Fees Security Services	2 507 355	9 136 077
	<b>7 889 213</b>	<b>15 342 111</b>
<b>37. Grants and Subsidies paid</b>		
<b>Other subsidies</b>	970 605	891 861
Other grants	3 662 015	3 457 200
Council ward committees	929 896	702 505
Municipal systems improvement grant	639 660	715 813
SETA	-	227 013
Bursaries	-	438 782
Organogram development	-	722 825
Community participation	991 755	1 451 590
Public expense	-	41 800
Municipal finance assistance	10 558 243	15 288 600
Indigent Subsidy	9 990	-
Uphuhliso Lwethu	1 231 798	848 766
Expanded Public works program	34 688	7 001
Department of Local Government	2 641 395	3 789 139
Electricity demand side management	3 719 874	2 229 501
Infrastructure skills development grant	1 486 169	1 570 501
Finance Management Grant	455 039	-
Library grant	2 282 882	2 570 143
Ward based budgeting	<b>29 614 009</b>	<b>34 953 040</b>

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>38. General expenses</b>		
Advertising	687 229	506 677
Audit committee expenses	87 179	-
Auditors remuneration	9 447 041	6 406 945
Bank charges	1 016 789	1 296 777
Cleaning	949 787	3 231 697
Commission paid	2 324 300	2 023 695
Consulting and professional fees	7 551 891	6 662 641
Consumables	2 105 776	3 358 828
Entertainment	136 127	321 042
Legal Fees	11 120 705	7 186 684
Insurance	3 054 785	1 248 384
Community development and training	594 089	1 672 362
Conferences and seminars	331 691	890 697
Promotions and sponsorships	682 276	2 068 378
Levies	6 185 514	2 317 770
Magazines, books and periodicals	12 727	66 087
Municipal Service Charges	2 192 371	2 696 880
Motor vehicle expenses	146 289	131 160
Fuel and oil	6 884 376	5 996 310
Printing and stationery	1 718 100	1 521 157
Rehabilitation of Tip Sityes	1 919 710	2 312 818
Royalties and license fees	1 934 286	1 864 491
Staff welfare	57 566	255 794
Subscriptions and Membership Fees	1 936	4 618
Telephone and fax	6 628 835	5 216 684
Training	2 664 278	3 091 903
Subsistence & Travelling	2 510 608	3 731 873
Uniforms	773 933	512 486
Tourism Development	39 272	400 936
Material & Stores	3 616 666	3 387 894
Valuation expenses	121 435	2 013 604
Recruitment Expenses	411 284	867 823
Solid waste management	1 168 539	838 913
Erven Cleaning Fees	1 372 650	107 122
State Funeral Expenses	(570)	18 076 037
Other expenses	5 374 026	3 468 380
	<b>85 823 496</b>	<b>95 755 547</b>
<b>39. Fair value adjustments</b>		
Investment property (Fair value model)	10 690 455	65 303 550
<b>40. Auditors' remuneration</b>		
Fees	9 447 041	6 406 945
<b>41. Operating lease</b>		
The municipality has entered into various operating lease agreements for the lease of printers and copiers. The lease periods vary between 3 and 5 years with an annual escalation of 10% on the annual rentals.		
<b>Operating Lease Obligation</b>		
Payable within 12 months	308 811	665 253
Payable within 2 - 5 years	91 148	426 349
	<b>399 959</b>	<b>1 091 602</b>

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>42. Cash generated from (used in) operations</b>		
Surplus (deficit)	18 465 287	(150 249 411)
<b>Adjustments for:</b>		
Depreciation and amortisation	287 473 581	270 147 524
(Gain)/Loss on sale of assets and liabilities	52 728 750	1 973 704
Fair value adjustments	(10 690 455)	(65 303 550)
Impairment deficit	7 146 805	125 441 107
Debt impairment	25 637 571	42 109 869
Movements in provisions	(6 520 115)	576 681
Prior year adjustments	-	(32 560 989)
Other non-cash items	(160 000 000)	-
<b>Changes in working capital:</b>		
Inventories	2 137 910	(7 853 264)
Receivables from exchange transactions	(23 088 901)	(9 635 258)
Prepayments	-	41 950
Receivables from non-exchange transactions	(27 815 619)	(6 827 420)
Payables from exchange transactions	36 076 682	(183 089 056)
VAT	(32 320 630)	(38 797 523)
Unspent conditional grants and receipts	(89 226 367)	(26 173 555)
Consumer deposits	1 413 965	8 364 994
	<b>81 418 464</b>	<b>(71 834 197)</b>

### 43. Commitments

#### Authorised capital expenditure

**Already contracted for but not provided for**

- Property, plant and equipment

115 925 632 292 259 480

#### Total capital commitments

Already contracted for but not provided for

115 925 632 292 259 480

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

### 44. Contingencies

At year end the municipality had the following contingent assets and contingent liabilities.

#### Pending litigations and claims

[Disclose:

- any contingent liabilities that the venturer has incurred in relation to its interest in joint ventures and its share in each of the contingent liabilities that have been incurred jointly with other ventures.
- its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable, and
- those contingent liabilities that arise because the venturers is contingently liable for the liabilities of the other venturers of a joint venture.]

300 000 300 000

Ilitha Lelizwe // KSD Municipality

Company engaged to reconcile VAT collections and claim rebates from SARS on behalf of the municipality is claiming commission on the basis that it successfully rendered the services as agreed. Matter is still pending

300 000 300 000

Max Prof // KSD Municipality

Claim for Commission due, owing and payable allegedly flowing from an agreement to reconcile VAT and claim what is due to K.S.D.. Matter is still pending

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>44. Contingencies (continued)</b>		
S & F Construction Intsimi Yemfene// KSD Municipality Claim for payment in respect of services allegedly rendered. Pending/dormant – plaintiff appears to have lost interest, at this stage, letting the sleeping dogs lie approach being applied.	384 921	384 921
Four Seasons // KSD Municipality Review of a valuator's valuation leading to increased rental. First round won by the applicant. Application for leave to appeal noted by the municipality. Attempt to settle being explored.	-	-
Mzuvukile Jazi & 15 Others // KSD Municipality Volunteers claiming to be paid salaries alleging they were promised employment and employed. Matter still pending	3 200 000	3 200 000
Babalwa Qomoyi and 9 others// KSD Municipality Application for an order for the release of an impounded vehicles. Matter being appealed as the judgment granted does not grant certainty and finality.	-	-
Thobile Ngcame// KSD Municipality & Others Motor vehicle accident. Insurance repudiated liability. Matter still pending	675 000	675 000
Ntombekhaya Breakfast // KSD Municipality Application for setting aside of a Council Resolution restricting trading in York and Sutherland Streets. Matter still pending	-	-
African Bulk Earthworks// KSD This is a matter incidental to Landmark/ KSD case. The applicant's legal representative is alleging that he made a mistake by not adding the word compound when claiming interest. In a nutshell the applicant's legal representative is saying it erroneously neglected to claim a compounded interest. opposed	30 000 000	-
KSD Municipality // Unknown Persons unlawfully occupying ERF 937,926, 14817 & 14818 Eviction of land invaders. Demolition carried out. Matter is now subject of appeal before the Contsitiuional Court.	500 000	500 000
KSD Municipality// Ncokwana & Others Application for eviction of volunteers at Public Safety. Eviction order granted( finalized)	-	-
Various Claims for damages against the municipality Various claims for damages instituted against the municipality. Most cases still pending and some pending settlement negotiations	16 881 794	16 959 462
Claims relating to employment disputes Various claims from employees relating to amounts due, unlawful dismissal. Matters still pending	2 654 968	1 855 000
Mcingeleni Sikade//KSD Local Municipality This is a claim for delivery of motor vehicle Toyota Hi-Ace alleged to be in possession of the municipality, alternatively the municipality pays the plaintiff a sum of 180000 which is the value of said motor vehicle. The matter is still within the pleading stage and does not have a court date.The merits are bad for the municipality	250 000	-
	<b>55 146 683</b>	<b>24 174 383</b>

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
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### 45. Related parties

The following transactions with related parties occurred in the period under review.

#### Related party transactions

Cllr MH Mtirara- Crossbar Agencies	558 459	37 699
Cllr ZV Maqabuka - Vivile Publishers and Booksellers	2 882	-
Cllr KK Mdikane - Rhweba Trading	975	3 950
Cllr KK Mdikane - Rhweba Trading 1131 CC	198 000	393 608
	<b>760 316</b>	<b>435 257</b>

#### Relationships

Mayor

Cllr N Ngqongwa

Speaker

Cllr D.M Zozo

Chief Whip

Cllr Z.M Gusana

Executive council members

Cllr L.N Ntlonze

Cllr M.S Mlandu

Cllr S Ngcobo

Cllr M T Mtirara

Cllr L.R Madyibi

N Gcingca

N Ndlela

Key management

Z.M Mdikane (Municipal manager)

N Ntshanga (CFO)

H Ngovela (Director: Technical services)

L Maka (Director: Community services)

A Mdeleleni (Director: Corporate services)

F Gaba (Director: Public safety)

N Soldati (Director: Human settlements)

R Mnqokoyi (Director: LED)

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand

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### 45. Related parties (continued)

#### Councillors

Cllr Z.A Luyenge  
Cllr K.K Mdikane  
Cllr N Nyangani  
Cllr B Mazini  
Cllr B Momoza  
Cllr B Ndlobongela  
Cllr BD Bara  
Cllr EM Fileyo  
Cllr ET Mapekula  
Cllr FM Mtwa  
Cllr GN Nelani  
Cllr HN Maroloma  
Cllr J Dlamini  
Cllr KN Kwetana  
Cllr KW Tsipa  
Cllr LA Tshiseka  
Cllr LL Mkhonto  
Cllr LM Luwaca  
Cllr M Bunzana  
Cllr M Gogo  
Cllr M Jafta  
Cllr M Mavukwana  
Cllr M Menzelwa  
Cllr M Ngabayena  
Cllr M Nyoka  
Cllr M Plam  
Cllr MA Zimela  
Cllr MH Mtirara  
Cllr MI Xentsa  
Cllr J Msakeni  
Cllr N Mpemnyama  
Cllr N Mtwa  
Cllr P.N Mali  
Cllr N. Qwase  
Cllr Z.N Mncunza  
Cllr V Dangala  
Cllr N.F Mzimane  
Cllr S.Qina  
Cllr W.V Sanda  
Cllr R Knock  
Cllr P.P Nontshiza  
Cllr Z Magazi  
Cllr Z.V Maqabuka  
Cllr F Dondashe  
Cllr S Nyengane  
Cllr N Sikonkotela  
Cllr S Mlamli  
Cllr N.S Kwaza  
Cllr M. Mtirara  
Cllr S Njemla  
Cllr T Ngadolo  
Cllr X Matiti  
Cllr O Gwadiso  
Cllr T Nomvete  
Cllr V Roji  
Cllr S Budu  
Cllr N Luqhide  
Cllr N Xhobani  
Cllr G Jijana  
Cllr L Nduku (resigned)



# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

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### 45. Related parties (continued)

Related party transactions are at arms length.

Key management remuneration is disclosed in Note 29.

Councilor remuneration is disclosed in Note 30.

Apart from the remuneration and transaction disclosed above no further transactions occurred with councillors and key management.

### 46. Prior period errors

The financial statements have been prepared in accordance with GRAP on a basis consistent with the prior year. Where adjustments were done in the current annual financial statements, management considered the impact on the opening balances of the earliest comparative figures and these were adjusted accordingly.

The aggregate effect of the prior period adjustment on the comparative figures in the financial statements for the year ended 30 June 2015 is as follows.

Statement of Financial Position	As previously reported	Prior Period Error	Reclassification	Restated as at 30 June 2014
<b>Revenue from exchange transactions</b>				
Interest received	25 972 596	(1 410)	-	25 971 186
<b>Expenditure</b>				
Personnel	(259 516 743)	(3 110 875)	-	(262 627 618)
Depreciation	(197 287 489)	(72 860 035)	-	(270 147 524)
Impairment loss	(138 923 119)	13 483 012	-	(125 440 107)
Finance costs	(19 935 752)	(6 292 150)	-	(26 227 902)
Lease rentals on operating Lease	-	-	(26 657 634)	(26 657 634)
Repairs and maintenance	(23 951 568)	165 620	-	(23 785 948)
Contracted services	(15 353 011)	10 900	-	(15 342 111)
Grants and subsidies paid	(34 960 383)	7 343	-	(34 953 040)
General expenses	(134 402 214)	11 989 033	26 657 634	(95 755 547)
Gain(loss) on disposal of assets	13 158	(1 986 862)	-	(1 973 704)
Fair value adjustments	65 017 050	286 500	-	65 303 550
	<b>(733 327 475)</b>	<b>(58 308 924)</b>	-	<b>(791 636 399)</b>

Statement of Financial Position	As Previously Reported	Prior Period Error	Reclassification	Restated as at 30 June 2014
<b>Current Assets</b>				
Inventories	9 528 666	1 423 398	-	10 952 064
Cash and cash equivalents	127 659 612	886 842	-	128 546 454
Receivables from non exchange transactions	21 305 113	147 263	-	21 452 376
Prepayments	361 008	(361 008)	-	-
<b>Non-current assets</b>				
Property, plant and equipment	2 269 215 744	131 190 738	-	2 400 406 482
Investment property	189 419 900	5 748 000	-	195 167 900
Intangible assets	440 080	25 784	-	465 864
<b>Current liabilities</b>				
Payables from exchange transactions	(183 959 268)	(6 076 963)	-	(190 036 231)
Unspent conditional grants	(110 684 162)	(1 003 341)	-	(111 687 503)
VAT payable	(39 084 010)	(328 111)	-	(39 412 121)
<b>Non current liabilities</b>				
Provisions	(42 345 630)	(3 110 875)	-	(45 456 505)

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>46. Prior period errors (continued)</b>		
Finance Lease Obligations	- (20 832 046)	- (20 832 046)
Other Financial Liabilities	144 463 703 (169 684)	- 144 294 019
<b>Net Assets</b>	(1 697 512 778) (107 879 363)	-(1 805 392 141)
Accumulated surplus	<u>688 807 978 (339 366)</u>	<u>- 688 468 612</u>

Unspent conditional grants and Cash and Cash equivalent.  
Prior period errors relating to misallocation of unknown deposits for the year ending 30 June 2014 were corrected.

Receivables from non-exchange transactions  
Prior period errors relating to receivables from non-exchange transactions for the year ending 30 June 2014 were corrected.

Finance costs and finance lease liability  
Prior period errors relating to finance leases for the year ending 30 June 2014 were corrected. This relates to operating leases that have been subsequently classified as finance lease.

Interest on investments and related investment  
The adjustment pertains to the correction of a mistatement.

Personnel costs and provisions  
Prior period errors relating to personnel for the year ending 30 June 2014 were corrected. The errors pertained to errors reported last year and adjustments of employee related benefits affecting the provision for staff bonuses and long service awards.

Repairs and maintenance  
Prior period errors relating to repairs and maintenance for the year ending 30 June 2014 were corrected. The errors pertained to misclassification of contribution to capital outlay to repairs and maintenance.

General expenses  
Prior period errors relating to general expenses for the year ended 30 June 2014 were corrected. The errors pertained to the misclassification of expenses.

Investments property  
Prior period errors relating to investment properties for the year ending 30 June 2014 were corrected.

Property, plant and equipment and intangible assets  
Prior period errors relating to Property, plant and Equipment for the year ending 30 June 2014 were corrected. The errors pertained to the following:  
- Incorrect accounting treatment for finance leases.  
- Incorrect valuation of electricity assets  
- Incorrect depreciation of movable assets  
- Incorrect allocation of assets

Trade and other payables  
Prior year period errors relating to trade and other payables for the year ended 30 June 2014 were corrected. The errors pertained to overstatement of accruals in the prior year and errors identified by the auditors.

Accumulated surplus  
Prior period errors relating to accumulated surplus for the year ending 30 June 2014 were corrected. The errors pertained to the various corrections as explained above.

Depreciation, impairments and fair value adjustments  
Prior period errors are as a result of inclusion of assets previously not recognised as a finance lease and those omitted in the asset register. This led to change in the depreciation and impairment losses as these were impaired.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 46. Prior period errors (continued)

#### Lease rentals on operating Leases

This was as a result of the separate disclosure of the rentals on operating lease that were classified as general expenditure and not shown as separate line

#### Contracted Services and grant and subsidies Paid.

These are as a result of corrections of prior year errors identified during and subsequent to the prior year audit.

#### Inventories

The change is due to correction of prior year errors identified during the audit.

#### Prepayments

The adjustment is due to correction of retention monies that were classified as prepayments

#### Other financial

#### liabilities.

correction of prior year balance identified by the auditors.

This is due to

#### Fair Value adjustments.

This is a result of correction of prior year corrections on asset management.

#### VAT Payable

This is due to correction of prior year errors.

### 47. Unauthorised expenditure

Opening Balance	354 440 360	102 925 975
Add: Unauthorised expenditure - current year	142 725 952	251 514 385
	<b>497 166 312</b>	<b>354 440 360</b>

### 48. Fruitless and wasteful expenditure

Opening Balance	338 580 996	331 351 572
Add: Fruitless and wasteful expenditure-current year	4 790 425	7 229 424
	<b>343 371 421</b>	<b>338 580 996</b>

Fruitless and wasteful expenditure was incurred as a result of interest and penalties charged on late payments.

### 49. Irregular expenditure

Opening balance	365 690 453	154 880 649
Add: Irregular Expenditure - current year	132 202 661	202 447 667
Add: Irregular expenditure - State funeral	-	8 362 137
	<b>497 893 114</b>	<b>365 690 453</b>

### Analysis of expenditure awaiting condonation per age classification

Current year	132 202 661	210 809 804
Prior years	365 690 453	154 880 649
	<b>497 893 114</b>	<b>365 690 453</b>

### Details of irregular expenditure – current year

Goods or services above a transaction value of R200 000 were not procured through a competitive bidding process and the SCM and treasury regulations was not followed.

20 679 759

# King Sabata Dalindyebo Municipality

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## Notes to the Financial Statements

Figures in Rand	2015	2014
<b>49. Irregular expenditure (continued)</b>		
The Tender Document and all attachments could not be located thus there is no proof that SCM and treasury regulations were followed.		99 052 004
The construction contracts were awarded without the tender being advertised to CIDB.		3 379 357
File allocated with no CIDB advert, BEC minutes, BSC minutes plus attendance registers		9 091 541
		<u>132 202 661</u>
<b>50. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	3 394 194	2 259 161
Current year subscription / fee	(3 394 194)	(2 259 161)
Amount paid - current year	-	-
<b>Distribution losses</b>		
During the 2015 financial year the Municipality incurred distribution losses relating to electricity of 9.75% (2014: 11.48%).		
<b>Electricity distribution losses in units</b>		
Purchases	246 539 047	262 352 941
Own use	(5 644 800)	(5 644 800)
Pre-paid consumer electricity sold	(93 517 815)	(100 428 652)
Conventional consumer billed	(122 917 059)	(125 868 399)
	<u>24 459 373</u>	<u>30 411 090</u>
Units purchased during the year	246 539 047	262 352 941
Units sold during the year	(222 079 674)	(231 941 851)
	<u>24 459 373</u>	<u>30 411 090</u>
<b>Audit fees</b>		
Opening balance	10 372 075	6 406 945
Current year subscription / fee	(8 867 409)	(6 406 945)
Amount paid - current year	1 504 666	-
<b>PAYE and UIF</b>		
Opening balance	2 863 274	2 750 169
Current year subscription / fee	42 616 351	37 963 515
Amount paid - current year	(39 017 326)	(37 850 410)
	<u>6 462 299</u>	<u>2 863 274</u>

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 50. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Pension and Medical Aid Deductions

Opening balance	4 195 425	2 024 479
Current year subscription / fee	73 260 847	53 598 685
Amount paid - current year	(66 809 193)	(51 427 739)
	<b>10 647 079</b>	<b>4 195 425</b>

#### VAT

All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Ngcobo FRS	9 794	-	9 794
Cllr Mtirara MT	2 054	-	2 054
Cllr Tsipa KW	93	-	93
Cllr Knock R	5 130	-	5 130
Cllr Luqhide LM	561	-	561
Cllr Francis RS / Ngcobo LM	1 212	6 057	7 269
	<b>18 844</b>	<b>6 057</b>	<b>24 901</b>

  

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Ngcobo FRS	2 561	88	2 649
Cllr Nelani G	1 877	38 522	40 399
Cllr Gwadiso VO	244	17 333	17 577
Cllr Nduku LS	24 241	19 674	43 915
Cllr Mtwa FN	469	18 708	19 177
Cllr Mtirara MT	192	14 520	14 712
	<b>29 584</b>	<b>108 845</b>	<b>138 429</b>

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/ dispensed by the Accounting Officer and noted by Council.

#### 51. Supply Chain Management Regulations

The expenses incurred listed below are instances of Supply Chain Management deviations reported to the council.

Incident		
3 quotations not obtained	86 346	2 798 843
Sole supplier	1 594 380	244 075
Emergency procurement	346 431	502 684
Quotations not requested as accomodation close to training venue	-	88 293
Closest B&B to the venue attended	-	299 956
Service by manufacturer of marce fire fittings	-	7 576

# King Sabata Dalindyebo Municipality

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## Notes to the Financial Statements

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Advertising in local newspaper	742 588	218 613
Pauper burials-body already at parlour	87 911	-
Utilise all shos requested by rotating them, hence there is only one quote	315 290	-
	<b>3 172 946</b>	<b>4 160 040</b>

### 52. Bids awarded to employees in service of the state

Kwazile Mdtshane - Contracts Officer	-	60 000
Siyabulela Mfobo - SCM Manager	-	10 500
	-	28 850
Khalimashe Songezo - Electrician	-	61 440
	-	<b>160 790</b>

In terms of section 45 of the Municipal SCM Regulations, any award above R2 000 to family of employees in the service of the state must be disclosed in the annual financial statements.

No conflicts of interest have been identified in the current year.

### 53. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out under policies approved by the accounting officer and council. The municipality identifies, evaluates and hedges financial risks in close co-operation with the municipality's various departments. The accounting officer and council provides written principles for overall risk management, as well as written policies covering specific areas.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances as the effect of discounting is not significant.

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	253 103 612	-	-	-
VAT payable	7 560 938	-	-	-
Other financial liabilities	53 288 354	141 508 836	-	-
Consumer deposits	12 756 530	-	-	-
Finance lease obligation	10 704 766	4 909 532	-	-
At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	190 036 231	-	-	-
VAT payable	39 412 121	-	-	-
Other financial liabilities	47 766 766	144 463 703	-	-
Consumer deposits	11 342 565	-	-	-

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 53. Risk management (continued)

Liquidity risk is mainly concentrated on the Trade and other payables balance.

The municipality does not have any collateral and /or credit enhancements that aid in the mitigation of the liquidity risks.

#### Credit risk

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations, and arises principally from the municipality's investments, loans, receivables, and cash and cash equivalents.

The municipality limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating, and limits exposure to any one counter-party in accordance with Council's approved investment policy.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis and assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Entity establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Sales to retail customers are settled in cash or using major credit cards.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial performance.

Financial assets exposed to credit risk at year end were as follows:

	2015	2014
Financial instrument	40 262 440	128 546 454
Cash and cash equivalents	39 056 203	41 974 548
Trade receivables from exchange transactions	43 105 312	21 452 376
Trade receivables from non-exchange transactions		

The municipality does not hold any collateral in relation to the financial assets above.

#### Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates and interest rates, affecting the municipality's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

#### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 54. Financial instruments disclosure

#### Categories of financial instruments

##### 2015

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	39 425 878	39 425 878
Other receivables from non-exchange transactions	49 267 995	49 267 995
Cash and cash equivalents	40 262 440	40 262 440
	<b>128 956 313</b>	<b>128 956 313</b>

#### Financial liabilities

	At amortised cost	Total
Other financial liabilities	51 012 923	51 012 923
Trade and other payables from exchange transactions	226 112 917	226 112 917
	<b>277 125 840</b>	<b>277 125 840</b>

##### 2014

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	41 974 548	41 974 548
Other receivables from non-exchange transactions	21 452 376	21 452 376
Cash and cash equivalents	128 546 454	128 546 454
	<b>191 973 378</b>	<b>191 973 378</b>

#### Financial liabilities

	At amortised cost	Total
Other financial liabilities	190 036 232	190 036 232
Trade and other payables from exchange transactions	192 060 785	192 060 785
	<b>382 097 017</b>	<b>382 097 017</b>

### 55. Events after the reporting date

The municipality is not aware of any events after 30 June 2015 that may have an impact on the financial statements or require disclosure.



# King Sabata Dalindyebo Municipality

Financial Statements for the year ended 30 June 2015

## Notes to the Financial Statements

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### 56. Budget differences

#### Material differences between budget and actual amounts

Only variances exceeding 10% are considered material and explained below.

The shortfall on service charges of 10% is caused by the under-recovery of VAT refunds due to outstanding liabilities as a result of rejected VAT returns.

The shortfall variance of 22% on rental of facilities and equipment is due to decreased use of municipal facilities.

The shortfall variance of 37% on licences and permits is due to undercollection of anticipated revenue.

The shortfall variance of 50 % on other income is due to shortfall in anticipated revenue from VAT refunds.

The shortfall variance of 15% on interest received is due to reduction of debtors as well as decline in investments.

The surplus variance of 100% on financial assistance by Local Government was not budgeted for due to reversal of the LGTA loan.

The shortfall variance of 61% on fines is due to undercollection of anticipated revenue.

The shortfall variance of 77% on depreciation and impairment of PPE is due to unanticipated increase in valuation and addition of PPE and unexpected increases in impairment of assets. The 100% shortfall on impairment losses is due to limited budget and worn out assets

The excess shortfall of more than 100% on finance costs is due to the fair value adjustments made on the interest and accounting for finance lease.

The shortfall variance of 15% on debt impairment is due to decreased provision on impairment of debtors.

The shortfall variance of 27% on general expenditure is mainly due to decisions taken to reduce spending on non core functions of the municipality.

The surplus of 28% on operating lease rentals is due to changes in accounting for finance leases.

The excess variance of 45% on repairs and maintenance due to underspending and cashflow challenges.  
The underspending on grants and subsidies paid of 19% is a result of under spending in the indigents that were subsequently subsidized after year end.

#### Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters as well as mid-year performance assessment conducted in January 2015 and reprioritisation. For details on these changes please refer to the annual report.